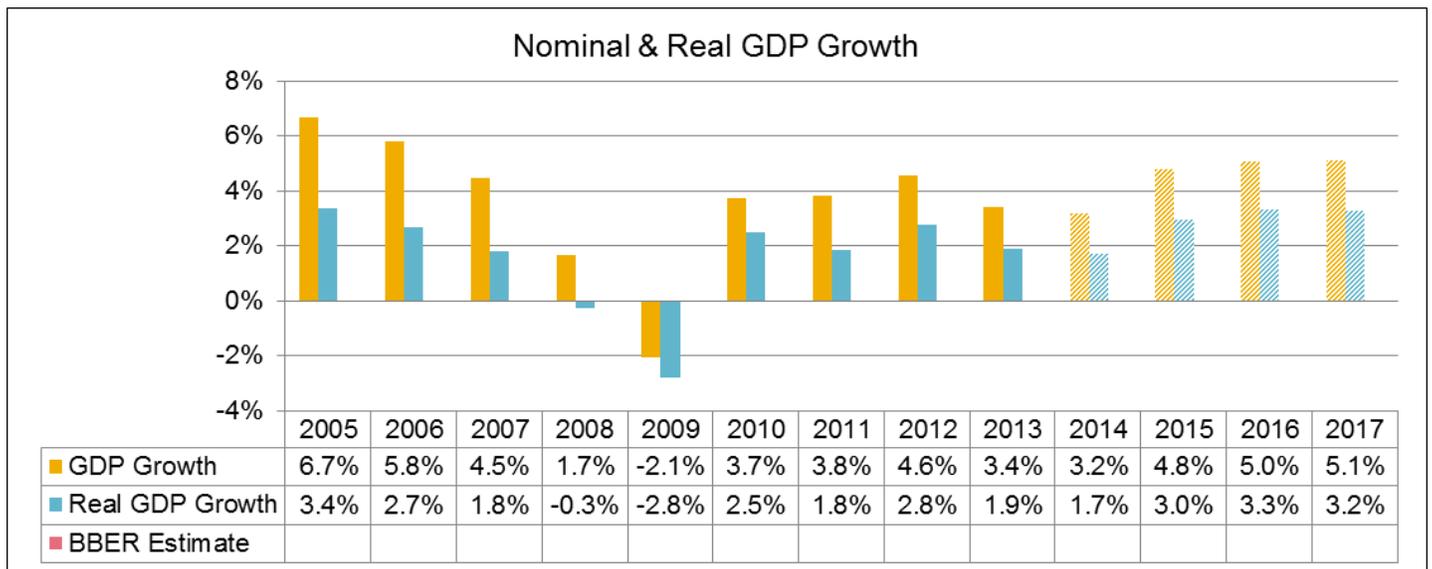
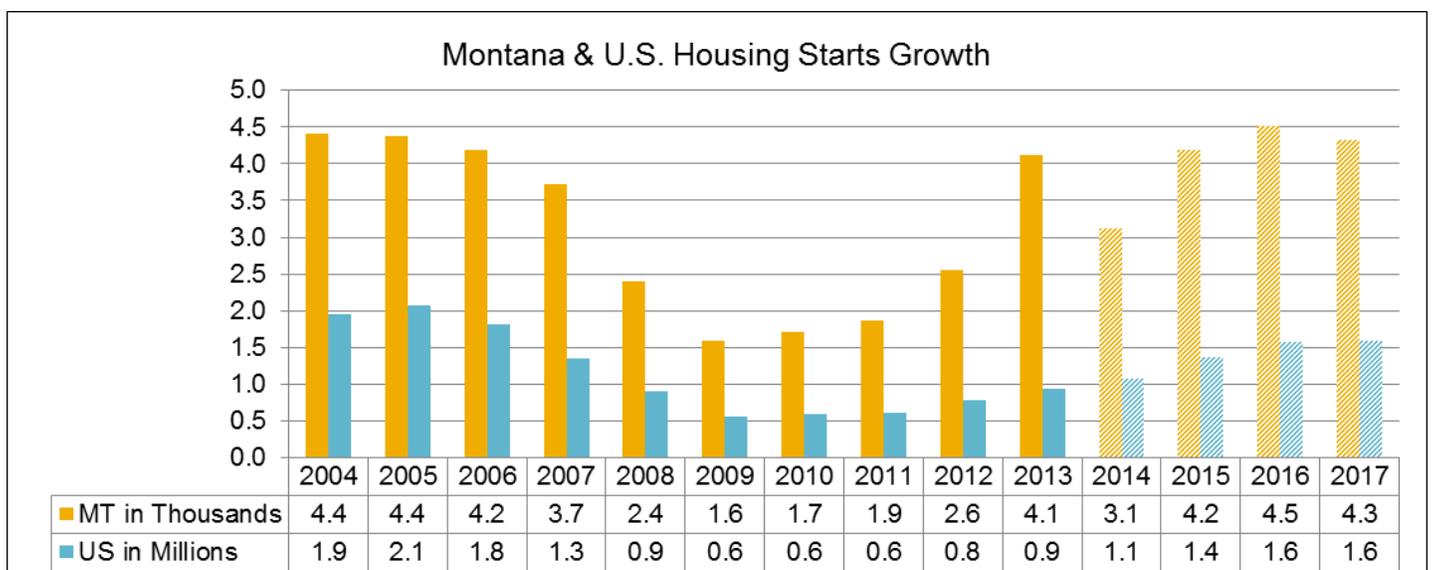


Several measures of the national and Montana economies are key underlying sources for developing the revenue estimate. At the national level, overall economic growth as measured by gross domestic product (GDP), inflation, and energy prices factor into many of the individual estimates. Key state-specific indicators include wage disbursements, employment, and home construction.

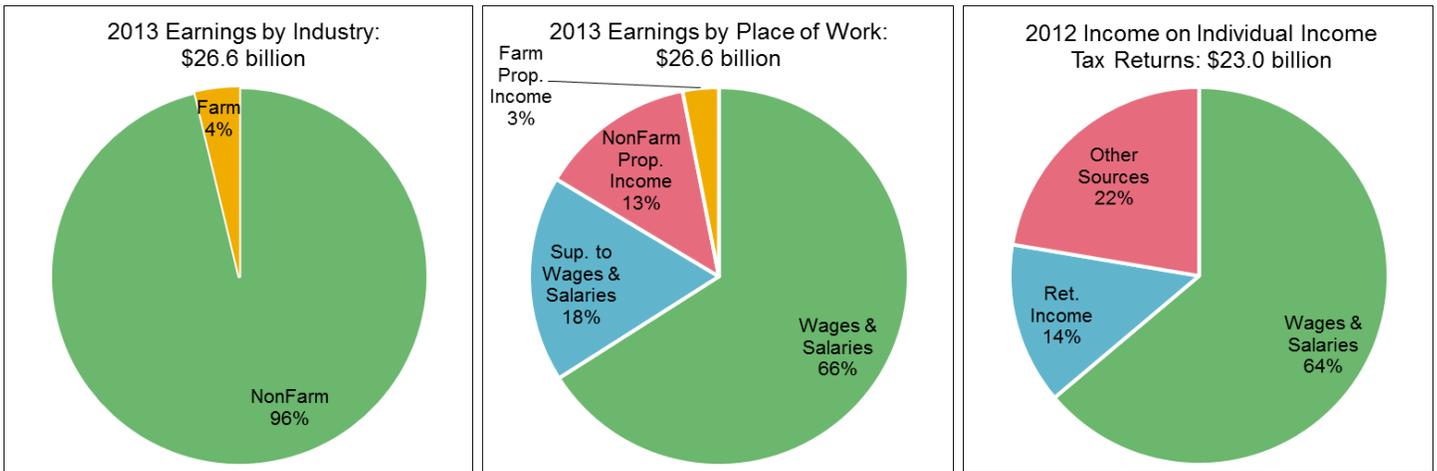
The BBER economists prefer to discuss growth in real (inflation adjusted) terms. Since taxes are paid on nominal incomes, the revenue estimate is not based on inflation adjusted indicators. However, for comparison purposes, the historical and forecast growth of GDP in nominal and real terms is shown below, along with space to write in the BBER estimate.



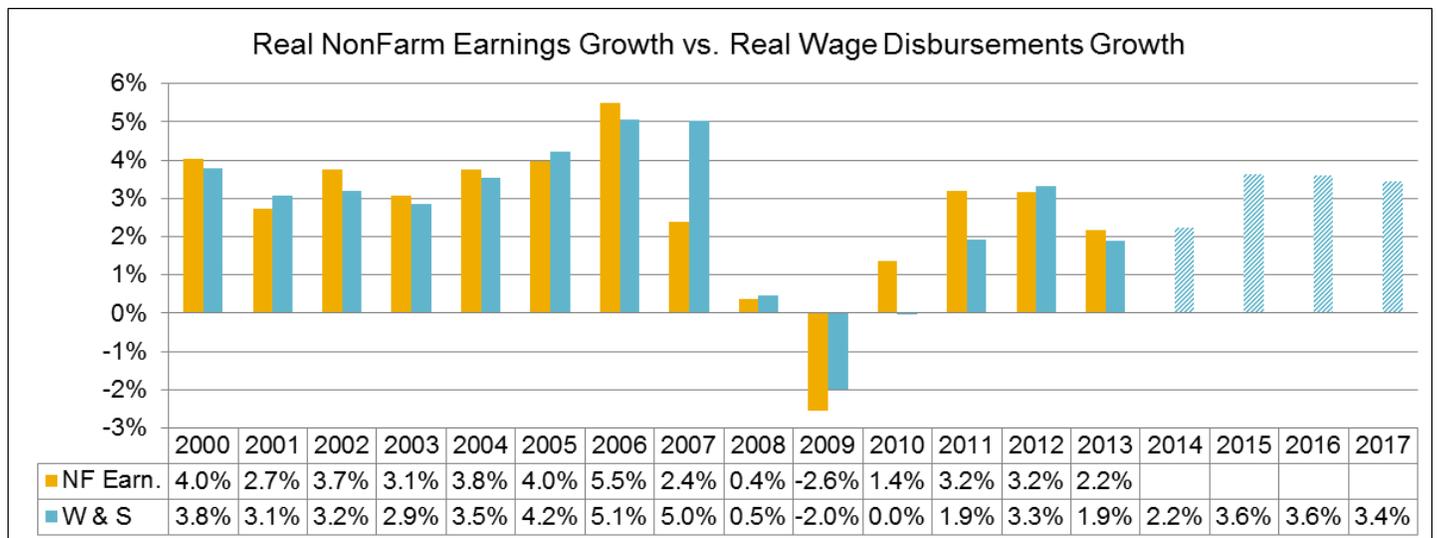
Although home construction growth has been slow following the recession, housing starts in Montana have increased more rapidly than in the U.S. overall; the forecast through the end of the biennium suggests the pace will recover to pre-recession levels in the state. The forecast for Montana housing starts is used in the individual income tax estimate.



Presentations from BBER typically focus on nonfarm earnings, which are related to—but not the same as—wage disbursements, the underlying economic indicator used to estimate wage and salary income reported on individual income tax returns. The Bureau of Economic Analysis (BEA) reports labor earnings in two ways: by industry and by place of work. The first two pie charts below show the respective breakouts for 2013 earnings; the third chart shows the breakout of total income reported on the 2012 individual tax returns.



For comparison purposes, historical and forecast growth in real wage disbursements is shown with the growth in real nonfarm earnings in the following chart.



Notes:

**Potential Question**

- Nonfarm earnings include employer contributions to health insurance, while wages disbursements do not. How might changes due to the Affordable Care Act impact the difference in growth between these two series?